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SUBJECT: SUBSTANTIVE ENGAGEMENT: A/S SHANNON JULY 10-11
VISIT TO URUGUAY.

REF: MONTEVIDEO 00611

Classified By: Ambassador Frank E. Baxter for reasons 1.4 (B) and (D)

11. (C) Summary. Arriving in Montevideo several hours ahead of U/S Burns on July 10, A/S Shannon,s pre-visit to Uruguay was very successful and advanced important U.S. foreign policy objectives. The pulp mill dispute with Argentina, Uruguay,s \$20 million Haiti proposal, trade, Bolivia, Venezuela, and UN peacekeeping operations (PKO), were some of the main issues discussed. In conjunction with the U/S Burns visit (septel), and immediately prior to the visit of Secretary of Treasury Henry Paulson (septel), A/S Shannon,s

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visit was widely seen as an important continuation of the Administration's commitment to developing and maintaining closer relations with Uruguay. Below are highlights of the various meetings. End Summary.

12. (C) A/S Shannon lunched at the Ambassador's residence with Director General of the Secretariat Ambassador Jose Luis Cancela. (Note: Cancela, the MFA's third highest-ranking official tends to respond more to President Vazquez than does the anti-American Foreign Minister. End Note) The Ambassador, DCM and Pol/Econ Counselor also attended the lunch. Cancela began by saying that he was soon going to New York to contend with another round of discussions in the long running bilateral dispute with Argentina over the construction of a giant pulp mill on a shared river, adding that he appreciated U.S. support for the IFC loan for the project. A/S Shannon lamented the situation but indicated that it would be unhelpful for the USG to appear to be interfering in this delicate matter at this time. He then commented that President Bush's visit was something bigger than the meeting between the two leaders. He told Cancela that the U.S. President is still very interested in market access for Uruguay. Cancela agreed that the POTUS visit was "a big hit" and said that "Uruguay's international vocation"

goes beyond the region to global affairs, despite its size. A/S Shannon responded that this was a "double opportunity" for the two countries to work together.

13. (C) Shannon brought Cancela's attention to the recent White House Conference on the Americas as a new initiative designed to further involve the private sector, civil society and NGOs in Latin America's development. He stressed that this was an effort to complement President Bush's visit last March and signal a positive agenda that would harness the dynamic energy of more than just governments. He said that the region needs a positive agenda and that "its our job to manage our differences." Cancela said that Latin America fortunately has not been afflicted by terrorism as have been other places in the world, but that it suffered a lot during the periods of military dictatorship when there was no democracy. He referred to Uruguay's \$ 20 million project proposal for Haiti and offered that if the outcome is positive then it can have beneficial effects throughout the Caribbean. A/S Shannon said that the United States did not want the outcome to be like Cyprus, and that the Haitians don't want this either. He said that President Aristide destroyed the country's institutions, but that the international community has to shift from its stabilizing role to an enabling one where Haiti is allowed to make its own mistakes. It also needs to reverse some of its brain drain and provide incentives for some of the more educated and successful Haitians to return home.

14. (C) A/S Shannon then asked Cancela for his opinion of the TIFA, prefacing with the observation that if the U.S. Congress approves the FTAs for Panama, Peru and Colombia, there will an unbroken chain of FTAs stretching from Alaska to Tierra del Fuego. Cancela observed that MERCOSUR has no trade agreement with the most important economies of the

world and said that President Vazquez is going to the EU in September to push the stalled talks aimed at a Free Trade Agreement. He opined that Latin America needs stable partners and to break down its parochialism. On the TIFA he said it was working well, but said that intellectual property rights issues were proving difficult. He said that Uruguay was still very keen on obtaining market access to the United States but recognizes that progress was being made on exports of blueberries and other fruits such as apples and that Uruguay was inclined to import U.S. turkeys. He added that, "we have to work out the best ways and want to hear from you on Doha and TPA."

15. (C) The two officials also discussed Bolivia where Cancela said the country was going through its own special process with its first-ever indigenous government. He said that President Vazquez was going to visit Ecuador, opining that "we can not leave Correa alone with Chavez." Regarding Venezuela's President, he commented that "Chavez tends to make mistakes when Castro gets sick," but qualified that the Venezuelan opposition made a serious mistake by trying to throw Chavez out.

16. (U) Meeting at Congress: Following the luncheon with DGS Cancela, A/S Shannon traveled across the city to the Legislative Palace where he met with both the Senate and House Foreign Relations Committees. The legislators and brief highlights of main issues included: Senate President Sergio Abreu (Former Foreign Minister; member of the Alianza Nacional faction of the National "Blanco" Party) who greeted him and observed that both the United States and Uruguay share an "appreciation of democracy." He also said that he was concerned about the number of international conflicts, agricultural subsidies, and the stubbornly high levels of poverty in the region; Senator Carlos Baraibar (Assamblea Uruguay; Frente Amplio) who congratulated Ambassador Baxter and DCM Nealon for improving bilateral relations with the Frente Amplio GOU. He added that the POTUS visit last March was extremely positive. He brandished a folder that was full of articles about A/S Shannon; Senator Alberto Couriel (MPP-Frente Amplio) who said he welcomed the representative of the "hegemonic power"; House President Daniel Pena

Fernandez (Alianza Nacional, National Party) who congratulated the United States for its trade overtures toward Uruguay; Congressman Rafael Michelini (Nuevo Espacio; Frente Amplio) who said that the U.S. naval base in Guantanamo and the non-combatant prisoners held there were a "sore point" in our relationship.

¶17. (U) A/S Shannon praised Uruguay for its contributions to international PKO in Haiti, DROC and elsewhere. He urged the legislators to note the new commitment ("compromiso") made at the July 9, 2007 White House Conference on the Americas as an initiative designed to further involve the private sector, civil society and NGOs in Latin America's development. He said he was optimistic about the U.S. Congress approving the three FTAs for Peru, Colombia and Panama but that it would be a tough job. After concluding the session, A/S Shannon paid a brief courtesy call on Uruguayan vice-president Rudolfo Nin Novoa, who also serves as President of the National Assembly (both houses of Congress.) A complete transcript of his meeting with the Senate and House Foreign Relations Committees and photos of the event can be found (in Spanish) on the unclassified system at:

http://uruguay.usembassy.gov/usaweb/2007/07-3_91EN.shtml

¶18. (U) Youth Ambassadors: In the afternoon A/S Shannon met with a group of Uruguayan Youth Ambassadors at the residence who had traveled to the U.S. January 24-27 and had previously met with A/S Shannon during that trip. The Uruguayan ambassadors discussed the impact of their trip and the

positive impression of the U.S. that the program left on them.

¶19. (U) One-on-One Press Interview: WHA A/S Shannon gave an in-depth exclusive press interview to a reporter from Uruguay's highest circulation daily "El Pais". The article is entitled from a quote of Mr. Shannon ("We see in Uruguay a Partner and a Friend") and appeared in the Sunday, July 15 edition of "El Pais". It can be found on the unclassified system at:

http://www.elpais.com.uy/07/07/15/pnacio_292180.asp

¶10. Comment. A/S Shannon is well known in Uruguay and seen as a key architect behind the resurgence of relations between the United States and Uruguay, focusing USG efforts on a broad, positive engagement with the region. His visit to Uruguay provided an opportunity for the USG to engage an important partner in Latin America, and demonstrates that we are eager to work positively with all moderate governments in the region that respect democracy. End Comment.

¶11. (U) This message was cleared by WHA A/S Shannon. Additional information and photographs of the A/S Shannon visit can be found on Embassy Montevideo's unclassified intranet site at:

<http://uruguay.usembassy.gov>
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